

ADMINISTRATIVE -- INTERNAL USE ONLY

DD/S 72-2622

30 June 1972

MEMORANDUM FOR: Director of Communications  
Director of Finance  
Director of Logistics  
Director of Medical Services  
Director of Personnel  
Director of Security  
Director of Training  
Chief, Support Services Staff

SUBJECT : Management Review and Improvement Program

REFERENCE : OMB Circular A-44 (Revised), dated May 24, 1972

1. A copy of referent circular is forwarded for your information since there will be some delay in the issuance of implementing instructions from the Office of Planning, Programming and Budgeting. We understand that   of O/PPB will be in charge of this project.

2. O/PPB instructions should be issued within a few weeks and will be forwarded to you as soon as available.

Acting Chief, DD/S Plans Staff

Att.

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 24, 1972

CIRCULAR NO. A-44  
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Management review and improvement program

1. Purpose. The purpose of this Circular is to provide guidelines for (a) management review and (b) management improvement, that will focus agency efforts on operating programs and on the functions essential to their support. These efforts will be evaluated at all levels based on contributions made to achieving operating program objectives.
2. Rescissions. Effective September 1, 1972, this Circular supersedes and rescinds Circular No. A-44, Revised, dated February 16, 1970, subject, Establishment of a management improvement program applicable to all Government operations, and Transmittal Memorandum No. 1, thereto, dated June 17, 1970, subject, Government-wide study to improve Federal reporting and reduce related paperwork; and, Circular No. A-79, dated July 3, 1968, subject, Report of accomplishments in the use and management of automatic data processing (ADP). Reporting requirements specified in these rescinded directives are superseded by this Circular effective September 1, 1972.
3. Authority. Statutory provisions require the Office of Management and Budget to issue guidance to be followed by departments and agencies in reviewing and improving their operations; and require OMB to assess department and agency management.
4. Coverage. The provisions of this Circular are applicable to the management of all executive branch operating programs and supporting functions unless they are exempted in writing by the Office of Management and Budget.
5. Definitions. For the purposes of this Circular the following definitions apply.
  - a. Operating program. A mix of activities and resources under common management organized to accomplish a department or agency mission.
  - b. Management review. An objective examination, analysis, and appraisal made by a department or agency of its operating programs, functions, or organizational units.
  - c. Management improvement. An effort implemented by a department or agency that increases productivity, renders more timely service, provides better quality, or reduces costs of an

operating program in relation to the achievement of its objective.

6. Responsibilities of the Office of Management and Budget.

a. Guidance. The Office of Management and Budget will promote the management review and improvement program through:

✓(1) Idea interchange. Appropriate means will be developed for the interchange of management review and improvement ideas. Special emphasis will be placed on disseminating information concerning quantitative improvement techniques such as value analysis and cost-effectiveness analysis.

X (2) Interagency management projects. Interagency management projects will be monitored and the departments and agencies will be advised of applicable efforts planned or in process.

X (3) Annual management letters. Departments and agencies will be provided with an annual assessment of their management review and improvement program efforts, and specific management issues requiring department or agency action will be identified.

b. Assessment. The Office of Management and Budget will assess the progress of the management review and improvement program through:

→ (1) Surveys. On-site management surveys will be conducted by teams comprised of OMB and agency personnel. The surveys are designed to examine and evaluate the management capability of a department or agency and gauge whether top management needs are adequately served. Such surveys may be initiated by OMB or at the request of a department or agency head.

(2) Study of common areas. Common operational areas will be selected periodically for Government-wide study.

(3) Reports appraisal. Department and agency annual management reports will be appraised.

(4) Review of agency actions. Department and agency management actions taken in response to management issues identified in annual management letters and in budget hearings will be reviewed.

(5) Other actions. Other means will be determined by OMB as appropriate.

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7. Responsibilities of departments and agencies. The head of each department and agency will establish a continuing and systematic review and improvement program at all levels in accordance with the guidelines contained in this Circular. Responsibility for coordination of the management review and improvement program may be delegated to a top level official reporting directly to the department or agency head. The coordinator shall be assigned the responsibility for assuring that:

a. Program procedures provide for proper coordination and conform to the guidelines in this Circular.

b. Presidential Management Improvement Award nominees are fairly considered without reference to sex, race, creed, national origins, grade, rank, or other nonsubstantive factors, and to assure that nominations represent accomplishments of sufficient significance to warrant Presidential recognition.

c. An annual management report is prepared in accordance with paragraph 10 and is submitted to the Director, Office of Management and Budget.

8. Management review guidelines. Department and agency management review procedures will provide for:

a. Examination, analysis, and appraisal. Reviews will include:

(1) Examination of operating programs to ascertain their impact on accomplishing a significant aspect of the overall mission.

(2) Analysis of operations to determine whether they are being performed efficiently and effectively.

(3) Appraisal of alternative approaches for performing operations in a more cost-effective manner.

b. Review coordination. Reviews will be coordinated through:

(1) Establishment of review schedules to assure that appropriate planning precedes initiation of management reviews.

(2) Assessment of management review recommendations to determine impact on all operating program objectives.

(3) Screening of review recommendations to identify those which should be designated as priority management improvement projects as specified in paragraph 9-a(1).

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(4) Prompt dissemination of recommendations to the level capable of initiating necessary corrective actions.

(5) Establishment of a control system that will assure the satisfactory implementation of all approved corrective actions.

9. Management improvement guidelines. Department and agency management improvement procedures will provide for the accomplishment of priority improvement projects and other improvement projects.

a. Priority improvement projects.

(1) Selection. Prior to the beginning of each fiscal year, a limited number of areas requiring top management attention will be designated as priority improvement projects. Such projects will identify areas requiring improvement during the year based on an assessment of all applicable evaluation sources, including management review recommendations and should consider:

(a) The need for improving the operating program or function in terms of accomplishing the mission.

(b) The cost-effectiveness of an improvement in terms of the potential benefits to be obtained.

(c) The availability of resources to apply to the proposed improvement in terms of department or agency-wide priorities.

(d) The opportunity presented by an improvement for new initiatives that will encourage the better use of resources.

(2) Objective and performance indicators. Management improvement objectives and performance indicators will be established and quantified, where practicable, for each priority improvement project. Performance indicators should permit continuous and total assessment of progress in the attainment of each improvement objective and should reflect: (a) increases in productivity, (b) more timely service rendered, (c) better quality in the output, or (d) reduced costs for the operating program or supporting function.

(3) Implementation. Priority improvement projects will be implemented through the appropriate operating program or supporting function managers.

(4) Periodic evaluation. Actual performance achieved will be compared at appropriate intervals during the year against

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each performance indicator and corrective action will be initiated through the appropriate operating program or supporting function manager. Comparisons will reflect a balanced assessment of productivity, service, quality, and cost indicators to assure that corrective actions foster the total improvement desired for each objective.

b. Other improvement projects. Other improvement projects will be implemented through the appropriate operating program or supporting function manager, to the extent of available management improvement resources. Efforts should be concentrated on:

(1) Financial operations as defined in "The Joint Financial Management Improvement Program in the Federal Government of the United States," 1967, GPO No. OF-278-392.

(2) Automatic data processing operations as defined in OMB Circular No. A-83, subject, ADP Management Information System (ADP/MIS).

(3) The management of internal, interagency, and public reports as defined in OMB Circular No. A-40 and the Federal Property Management Regulations.

(4) The productivity of Government operations including development of productivity indices, better use of work measurement systems, expanded use of unit cost measures, and productivity justification of capital investments.

(5) The utilization of available resources at all levels to reduce the cost of currently approved programs or budget estimates including the elimination of nonessential activities and positions, adjustments in existing activities and procedures, use of labor-saving equipment, economical procurement, and other actions that will reduce costs.

(6) Common operational areas which are periodically designated by the Office of Management and Budget for Government-wide study.

c. Improvement coordination. The scheduling of other improvement projects will be coordinated with the selection of priority improvement projects to assure that they complement the priority projects. Other improvement projects should be designated as priority improvement projects when appropriate in the judgment of a department or agency. For example, budgetary constraints may warrant designation of an overall effort to reduce costs as a priority improvement project.

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d. Improvement incentives. Appropriate improvement incentives will be used to encourage improvement incentives should include:

(1) The interchange of ideas within a department or agency stressing innovative improvements and techniques that may be adapted for use in areas other than where originated; and

(2) The nomination of individuals or groups who have made exceptional and outstanding contributions to the achievement of management improvements for Presidential Management Improvement Awards. These Awards represent the pinnacle of recognition granted by the Federal Government for management improvement and, as such, are an important part of various other forms of recognition which may be granted by the head of a department or agency through the Federal Incentive Awards Program.

10. Reports. Each department and agency with 200 or more full time regular employees will submit to the Director of the Office of Management and Budget, by September 1, of each year, an annual management report. The report will be prepared in accordance with the format and instructions contained in the Attachment and the Exhibit, and will be submitted with a brief covering transmittal that evaluates the total effect of reported plans and accomplishments in the achievement of operating program objectives. Agencies with fewer than 200 full time regular employees will submit a narrative annual management report. The first submittals, due on September 1, 1972, will cover accomplishments during fiscal year 1972 and plans for fiscal year 1973, except as noted in the Exhibit.

11. Effective date. The effective date for implementation of guidelines in this Circular is July 1, 1972.

12. Inquiries. Inquiries should be addressed to the Office of Management and Budget, Organization and Management Systems Division, Washington, D.C. 20503.

GEORGE P. SHULTZ  
Director

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Management Review and Improvement Program

Annual Management Report

1. Purpose of the report. The annual management report is designed to serve three purposes:
  - a. Promote an annual assessment by the departments and agencies of their management review and improvement program;
  - b. Assist the Office of Management and Budget in assessing department and agency progress and responsiveness in implementing the management review and improvement program; and
  - c. Consolidate interagency management review and improvement reporting requirements.
2. Number of copies. Each department and agency will submit four copies to OMB.
3. Report transmittal. A brief covering transmittal which summarizes the impact of reported plans and accomplishments on achieving operating program objectives will be submitted with the annual management report.
4. Report sections. The annual management report is divided into eight sections as specified in the Exhibit:
  - a. Management reviews (Section I);
  - b. Priority improvement projects (Section II);
  - c. Financial accomplishments and plans (Section III);
  - d. Automatic data processing (ADP) improvements (Section IV);
  - e. Management of Federal reports (Section V);
  - f. Productivity improvements (Section VI);
  - g. Cost reductions (Section VII); and
  - h. Nominees for Presidential Management Improvement Awards (Section VIII).

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5. Preparation Guidelines. The following general guidelines will be applied in preparing the annual management report:

a. Limitations. Reportable data will be limited to review and improvement plans and accomplishments initiated by a department or agency through new or improved management actions. Externally imposed actions such as externally directed budget and personnel reductions or legislative changes are not reportable.

b. Data availability. If requested, departments and agencies will be prepared to provide to the Office of Management and Budget substantiating data for any information submitted in the annual management report. Departments and agencies are not required to maintain central files of substantiating data and are encouraged to retain such data at the originating level.

c. Validation. Departments and agencies will assure that an independent evaluation has been made of the reasonableness and validity of reported accomplishments. This independent evaluation must:

(1) Be made by an organization other than the organization responsible for the accomplishment; and

(2) Provide through sampling, or other appropriate technique, an acceptable level of confidence that the accomplishment actually took place and is valid as reported.

d. Idea interchange. Departments and agencies will highlight improvements in any Section of the report that may have applicability for other departments and agencies.

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ANNUAL MANAGEMENT REPORT

SECTION I - MANAGEMENT REVIEWS

Brief description of procedures established to conduct management reviews:\*\*

- a. Review policy.
- b. Review objectives.
- c. Review approach.

Review plans for current year summarizing in brief narrative statements:\*\*

- a. Operating program objectives to be examined.
- b. Major operations to be analyzed.

Review achievements for past year summarizing in brief narrative statements of changes in:\*\*

- a. Operating program objectives.
- b. Major operations

Description should reference any on-going examination, analysis, and appraisal efforts which an agency has designated as part of its management review procedures. This description is to be reported only in the first submittal or in subsequent submittals when a significant change in management review procedures has been implemented.

Review plans and achievements may be precleared by an agency with the applicable OMB program division prior to submittal to facilitate delineation of an appropriate level or detail. Review achievements for

## SECTION II - PRIORITY IMPROVEMENT PROJECTS\*

1. Project title.
2. Identification of program or function covered by the Project.
3. Summary statement of improvement approach:
  - a. Brief description of Project.
  - b. Reasons Project was selected.
  - c. Brief evaluation of the usefulness of primary improvement techniques (e.g., value analysis, cost effectiveness analysis, etc.) applied.

4. Specification of improvement objectives and performance indicators:

<u>Performance Indicators**</u>	-----Performance----- <u>BPRI***</u> <u>Base Year</u> <u>Past Year</u>	-----Objectives----- <u>Past Year</u> <u>Current Year</u>
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- a. Productivity.
  - b. Service.
  - c. Quality.
  - d. Cost.
5. Assessment of performance:
    - a. Reasons for short fall or above average performance.
    - b. Corrective action initiated or required.
    - c. Target dates for improvement objective achievement.

\*Submit this Section for each Priority Improvement Project. Priority Improvement Projects for fiscal year 1972 may be reported in the format contained in Exhibit 1 to Circular No. A-44, Revised, dated February 16, 1970.

\*\*Develop all four indicators for each Project if applicable. If not applicable, explain.

\*\*\*Base period reference identifier. Approved For Release 2002/08/15 : CIA-RDP83B00823R000400090009-6

### SECTION III - FINANCIAL ACCOMPLISHMENTS AND PLANS

#### Significant accomplishments and Future Plans

Submit narrative description for each significant improvement completed during the fiscal year and the resulting benefits therefrom classified by functional code as follows: (1) Organization, (2) Budgeting, (3) Accounting, (4) Cash Management, (5) Reporting, (6) Auditing, (7) Staffing and Training, or (8) Automation (only if another code does not apply). Each narrative statement should include a description of the agency's future plans for further improvements and should include a realistic target date for completion. (If reported in Section II, list only the Priority Improvement Project title and the functional code.)

#### Status of approval of accounting systems

Organization and/or Accounting Entity	Status of Comptroller General Approval		System** in Operation
	Principles* and Standards	Accounting* System Design	
(a)	(b)	(c)	(d)

Enter the status date preceded by the appropriate code from the following list:

CG, for formal approval  
 Sub, for formal submission  
 Tgt, to indicate the date is a target for submission  
 NA, means not applicable - system not legally subject to Comptroller General approval

Enter the progress date preceded by the appropriate code from the following list:

In, opn, to indicate system is installed and operating as approved  
 Tgt, to indicate the date is a target for completion of the installation  
 CG, to indicate system in operation approved by the Comptroller General

#### Explanation of postponement of Target Dates

<u>Last Year Report</u>			Reason for slippage and action taken to avoid additional slippage
<u>Accounting Entity</u>	<u>Target Date</u>	<u>New Target Date</u>	
(a)	(b)	(c)	(d)

SECTION IV - AUTOMATIC DATA PROCESSING (ADP) IMPROVEMENTS\*

Identification of  
Program or Function

Description  
of Improvement\*\*

1. Significant improvements in the performance level of a program or function as a result of using ADP capability:
  - a. Planned for current year.
  - b. Achieved during past year.
2. Significant improvements in the management of computer facilities and resources:\*\*\*
  - a. Planned for current year.
  - b. Achieved during past year.

\*Information to be reported in this Section is covered in Circular No. A-83.

\*\*If reported in Section II. list only the Priority Improvement Project title.

\*\*\*Report such improvements as consolidation of computer facilities, results from the use of hardware and software monitoring techniques, standardization of system requirements, etc.

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SECTION V - MANAGEMENT OF FEDERAL REPORTS\*

Brief description of procedures established to manage Federal reports:\*\*

- a. Reports management policy.
- b. Reports management objectives.
- c. Reports management approach.

Cost of reports:\*\*\*

Reporting Category	<u>July 1 (Past Year)</u>	<u>Cost</u> <u>July 1 (Current Year)</u>	<u>Difference</u>
a. Public Reporting (man-hours)			
b. Interagency Reporting (dollars)			
c. Internal Reporting (dollars)			

Information to be reported in this Section is covered in Circular A-40 and the Federal Property Management Regulations.

\*\*This description is to be reported only in the first submittal or in subsequent submittals when a significant change in reports management procedures has been implemented.

\*\*\*Attach a summary analysis of difference in cost of reporting over the past year citing such factors as the reporting impact of new programs and an assessment of the effectiveness of reports management efforts.

SECTION VI - PRODUCTIVITY IMPROVEMENTS\*

	<u>Identification of Program or Function</u>	<u>Description of Improvement*</u>
1.	Significant improvements in the productivity of Government operations planned for the current year.	
2.	Significant improvements in the productivity of Government operations achieved in the past year.	

\*Information to be reported in this Section is covered in Circular A-11, Section 24.3. Productivity Improvements for fiscal year 1972 do not have to be reported.

\*\*If reported in Section II, list only the Priority Improvement Project title. In all other cases, include a productivity index in the description of the improvement.

SECTION VII - COST REDUCTIONS\*

1. Overall cost reduction dollar savings goal for current year. *75,000,000*
2. Overall cost reduction dollar savings achieved or estimated for:

<u>Use of Savings</u>	<u>Past Year**</u>	<u>Current Year***</u>	<u>Budget Year***</u>
a. Finance other approved requirements of the reporting unit			
b. Reprogrammed to finance other approved requirements	<i>37,880.00</i>	<i>75,000,000</i>	
c. Placed in reserve or applied to reducing the President's budget			

3. Summary descriptions of past year cost reduction achievements when the achievement:
  - a. Has applicability to other departments and agencies; or
  - b. Has a significant estimated budgetary effect in the current or budget year.

\*If cost reduction is selected as a Priority Improvement Project and reported in Section II, this Section will not be submitted.

\*\*Dollar savings actually achieved during the past year.

\*\*\*The estimated budgetary effect in the current and budget year of cost reductions achieved in the past year, if applicable, as covered in Circular A-11, Section 24.1.



SECTION VIII - NOMINEES FOR PRESIDENTIAL MANAGEMENT IMPROVEMENT AWARDS

1. Submit for each nomination:

- a. Nominee's name, title, and grade; or identification of group.
- b. Organization.
- c. Summary of achievement.
- d. Summary of benefits.
- e. Agency contact official (name, title, phone number).
- f. Any agency award that has been granted or is in process for the achievement.
- g. Specific evidence of the degree of ingenuity, innovation, extraordinary dedication, or exceptional skill demonstrated by the nominee.
- h. Any additional pertinent information.

2. Nomination limitations: None. However, each potential nomination should be carefully screened to assure that the nomination is warranted. If more than one nomination is submitted, indicate the order or preference.